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Egypt: The Domestic Political Outlook

Interagency Intelligence Memorandum

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EGYPT: THE DOMESTIC POLITICAL OUTLOOK

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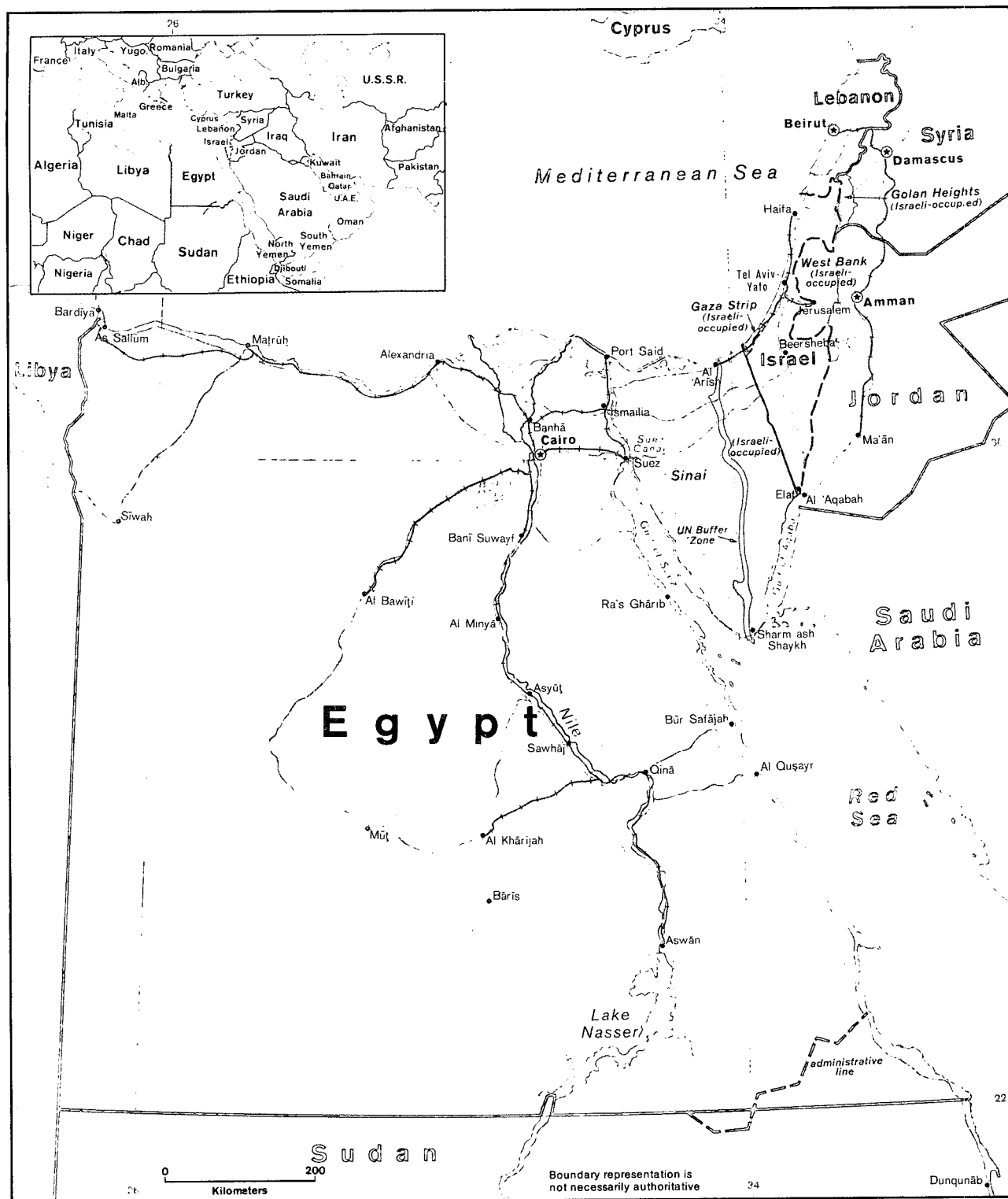
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EXECUTIVE SUMMARY

The government of Egypt has weathered remarkably well the controversy generated by the signing of the peace treaty with Israel in March 1979. President Sadat faces a number of serious and potentially explosive economic and political problems, but, if he continues to exercise prudence and resourcefulness, he should be able to withstand the challenges of the coming year.

The economic and political sanctions imposed on Egypt by the Arab states since November 1978 have had no significant impact on the Egyptian economy or Sadat's domestic position. Sadat's successful bid to put an end to decades of hostility with Israel reflected the desires of the overwhelming majority of Egyptians from all walks of life. The minority of Egyptians who oppose Sadat's policies have been unable to create an opposition movement of sufficient strength or cohesion to challenge the regime seriously.

The prognosis for continued stability in Egypt is clouded, however, as the Sadat regime remains vulnerable on several counts. Actions by Sadat himself may be contributing to a decline in his domestic standing. The President's confidence in his ability to chart the proper course for Egypt to follow is at an all time high. He is generally unresponsive to ideas that differ markedly from his own, and is unwilling to tolerate domestic criticism. Risking isolation from reality, Sadat has surrounded himself with those who are reluctant to report unpleasant developments frankly.

Sadat most recently demonstrated his readiness to defy public opinion and probably the advice of colleagues by renewing his offer of asylum to the former Shah of Iran. By persisting in his vocal support for the Shah, Sadat risks becoming overly identified with Washington at a time when anti-US feelings are growing in the Muslim world in general. The Shah's actual arrival in Egypt, moreover, could serve as a catalyst that might spark demonstrations about issues of greater concern to Egyptians, particularly continuing economic frustrations.

The regime's most immediate problem stems from heightened expectations, probably unrealizable, that peace will result in rapid and

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tangible improvements in the economic status of the average Egyptian. Despite generally favorable trends in the Egyptian economy as a whole, the government must deal with widespread frustrations over such issues as inflation, inadequate housing, and overburdened government services in the urban areas. Popular resentment also has focused on the extravagant lifestyles of Sadat and other wealthy Egyptians and on government corruption.

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Egyptian military personnel suffer the same economic hardships that concern the civilian population and are irritated by the decline in the status and prestige of military personnel in general

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Egyptians in general attach great importance to their country's growing ties to the United States. Any perceived faltering of US political, economic, or military support, therefore, would deeply disturb Egyptian officials as well as the populace at large. The Soviet Union's influence in Egypt, on the other hand, remains minimal, but Sadat recently initiated an attempt to ease the hostility that has characterized Egyptian-Soviet relations for the past several years, and Egypt has appointed an ambassador to the USSR for the first time since 1977.

Although there is little genuine concern about the Palestinian issue among Egyptians, Sadat has staked his prestige on a successful outcome of the West Bank-Gaza autonomy talks. A failure of those negotiations, or the signing of an accord that included nothing concrete for the Palestinians, would provide fresh ammunition for critics at home and abroad. The threat remains of further isolation within the Arab world and of additional economic sanctions against Egypt, such as the expulsion of workers or the cutoff of remittances. The other Arabs' economic self-interest and the continuing disarray within the Arab camp—as exhibited at the summit meeting in Tunis in November 1979—make it questionable whether or not additional sanctions eventually will be applied.

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A number of current and potential vulnerabilities thus can be readily identified, but it is difficult to predict which specific developments or events might upset the current political situation or when they might occur. Outbursts of popular frustrations over economic grievances could be triggered by relatively minor incidents such as a shortage of a particular consumer item or a breakdown in Cairo's public transportation system. These in turn could lead to more widespread protests over other more general issues, and present the government with the difficult and sensitive task of restoring calm.

Egyptian officials are alert to these dangers, and will attempt to prevent a deterioration of public order.

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Above all, Sadat in the past has shown resourceful leadership and is clearly capable of imaginative actions designed either to forestall or counter serious threats to his position.

Sadat's natural death or assassination could, of course, fundamentally alter the current situation and would likely produce at least limited change in most aspects of Egyptian policy. Vice President Husni Mubarak, whose political views are similar to Sadat's, is the odds-on favorite successor

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